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OFFICERS & DIRECTORS

OFFICERS

CLAYTON B. DELBRIDGE, *Chairman of the Board*
RICHARD S. MALONE, *Executive Vice-President*
J. STUART KEATE, *Vice-President*
JOHN J. ROONEY, *Secretary-Treasurer*

DIRECTORS

RONALD L. CLIFF
LAWRENCE DAMPIER
CLAYTON B. DELBRIDGE
JOHN L. FARRIS, Q.C.
BRUCE HUTCHISON
STUART KEATE
JOHN MacD. LECKY
RICHARD S. MALONE
BRUCE L. RUDD
JOHN W. TOOGOOD
R. HOWARD WEBSTER

BANKERS

THE BANK OF NOVA SCOTIA

AUDITORS

CLARKSON, GORDON & CO.

SOLICITORS

FARRIS, FARRIS, VAUGHAN, WILLS & MURPHY

TRANSFER AGENTS AND EXECUTIVE OFFICES

SUN PUBLISHING COMPANY LIMITED
2250 GRANVILLE STREET
VANCOUVER 9, B.C.

AR26

SUN
PUBLISHING
COMPANY
LIMITED

INTERIM REPORT FOR 6 MONTHS
ENDED JUNE 30, 1972

SUN PUBLISHING COMPANY LIMITED

To our Shareholders:

We are pleased to submit the unaudited Interim Report of the Company's operations for the six month period ended June 30, 1972.

Net income for the period was \$1,452,689, compared to \$1,112,743 for the same period last year. The increase resulted primarily from our equity in the earnings of Pacific Press Limited. Net income per share for the period was \$1.93 against \$1.48 in the comparable 1971 period.

Shareholders' quarterly dividends were increased by 5c per share, commencing with the June 30, 1972 dividend.

Increases in the market value of the investment portfolio compared favourably with the trend of other market indices during the period.

Your Board of Directors reports with deep sorrow the death of our President, G. Maxwell Bell, who succumbed to a lengthy illness this month.

On behalf of the Board,

G. B. Delbridge

C. B. Delbridge, Chairman

Vancouver, Canada, July 26, 1972

SUN PUBLISHING COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND INCOME RETAINED IN THE BUSINESS FOR THE SIX MONTHS ENDED JUNE 30

	1972	1971
Income from Pacific Press Limited:		
Equity in net earnings for period ended June 30	\$ 1,186,350	\$ 911,662
Debt interest	360,582	27,500
Other dividends and interest income		323,282
Profit (loss) on sale of marketable securities	3,381	(26,424)
	\$ 1,550,313	\$ 1,236,020
Deduct:		
Loss on operations - California properties	1,050	350
Administrative expense, including directors' fees of \$8,000	33,574	34,677
Income before deducting Income Taxes	\$ 1,515,689	\$ 1,200,993
Deduct:		
Income Taxes	63,000	88,250
Income for the period	\$ 1,452,689	\$ 1,112,743
Income retained in the business at the beginning of the year	21,873,906	20,183,649
	\$23,326,595	\$21,296,392
Deduct:		
Dividends:		
Class "A" shares	\$ 225,000	\$ 187,500
Class "B" shares	206,250	168,750
	\$ 431,250	\$ 356,250
Income retained in the business at June 30	\$22,895,345	\$20,940,142
Note: Unaudited		

SUN PUBLISHING COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL FOR THE SIX MONTHS ENDED JUNE 30

	1972	1971
Source:		
Earnings-		
Net earnings for the period	\$ 1,452,689	\$ 1,112,743
Less:		
Non-cash credit:		
Portion of net earnings in Pacific Press Limited which was not distributed by way of dividends	786,350	104,950
	\$ 666,339	\$ 1,007,793
Redemption of Pacific Press Limited debentures	1,000,000	500,000
Other items (net)	1,827	8,363
	\$ 1,668,166	\$ 1,516,156
Application:		
Dividends	431,250	356,250
Increase in working capital	\$ 1,236,916	\$ 1,159,906
Working capital at beginning of year	14,645,955	12,630,215
Working capital at June 30	\$15,882,871	\$13,790,121
Note: Unaudited		

INDEX

Officers and Directors of the Company .	2
Results at a Glance	3
Report to the Shareholders	4
Statement of Income and Retained Earnings	5
Balance Sheet	6-7
Statement of Source and Application of Funds	8
Notes to Financial Statements and Auditors' Report	9
The Sun — In The Community	10

OFFICERS AND DIRECTORS OF THE COMPANY

OFFICERS

Clayton B. Delbridge Chairman of the Board
Richard S. Malone President
J. Stuart Keate Vice-President
John J. Rooney Secretary-Treasurer

DIRECTORS

Ronald L. Cliff
Lawrence Dampier
Clayton B. Delbridge
Bruce Hutchison
Stuart Keate
John MacD. Lecky
Richard S. Malone
Bruce L. Rudd
John W. Toogood
R. Howard Webster

EXECUTIVES OF THE VANCOUVER SUN

Stuart Keate Publisher
Bruce Hutchison Editorial Director
William T. Galt Managing Editor
Clifford MacKay Editorial Page Editor
John W. Toogood Advertising Director
John J. Rooney Business Manager
Donald M. Grieve Circulation Manager
J. A. McLellan Promotion Manager
Bruce L. Rudd Assistant to the Publisher

BANKERS

The Bank of Nova Scotia

AUDITORS

Clarkson, Gordon & Co.

SOLICITORS

Farris, Vaughan, Wills & Murphy

TRANSFER AGENTS AND EXECUTIVE OFFICES

Sun Publishing Company Limited
2250 Granville Street
Vancouver 9, B.C.

Sun Publishing Company Limited and Subsidiary Companies

RESULTS AT A GLANCE

	For the year ended December 31	
	1972	1971
Income before Gain (loss) on sale of securities	\$ 2,855,838	\$ 2,614,810
Provision for Income Taxes	130,000	160,000
Net Operating Income	2,725,838	2,454,810
Gain (Loss) on sale of Securities (net) (Before income taxes on capital gains, see Note 3—financial statements)	115,102	(52,053)
Net Income	\$ 2,840,940	\$ 2,402,757
Income per share:		
"A" shares—on net operating income	\$ 3.69	\$ 3.32
—on gain (loss) on sale of securities (before income taxes on capital gains)	.15	(.07)
	<u>\$ 3.84</u>	<u>3.25</u>
"B" shares—on net operating income	\$ 3.59	\$ 3.22
—on gain (loss) on sale of securities (before income taxes on capital gains)	.15	(.07)
	<u>\$ 3.74</u>	<u>\$ 3.15</u>
Number of shareholders at year-end	817	885
Shareholders total investment (book value)	\$24,579,846	\$22,623,906
Shares of common stock outstanding	750,000	750,000
Book value per share of common stock	\$ 32.77	\$ 30.16
The Vancouver Sun:		
Advertising lineage	40,615,395	38,644,461
Circulation for period October - December	242,862	233,132
Newsprint consumed — Tons	40,485	37,710
Newsprint consumed — Value	\$ 6,437,165	\$ 5,613,210
Valuation Day Value:		
December 22, 1971		
"A" Shares	\$34.75	
"B" Shares	33.00	

REPORT TO THE SHAREHOLDERS

The consolidated Annual Accounts of the Company and its Subsidiaries and the Auditors' Report for the year ended December 31, 1972 are submitted for your information.

The income of the Company is derived essentially from two sources, i.e. our 50% equity in Pacific Press Limited and from an Investment Portfolio.

The 1972 net income of the Company amounted to \$2,840,940, up \$438,183, 18% over 1971, of which \$189,991 resulted from increased earnings of Pacific Press Limited. The balance represents additional returns from the Investment Portfolio and a reduced provision for income taxes.

Operating costs of Pacific Press Limited in 1973 will reflect the effects of a new two year labour agreement dated November 1, 1972 and a newsprint price increase effective this spring.

The Vancouver Sun:

1972 was a growth year in both advertising lineage and circulation. Lineage of 40,615,395 lines was 5.1% higher than in the previous year. The net paid average circulation at the time of writing

is 244,469, up 3.7% over last year's average at this time.

Investment Portfolio:

Book values increased by \$2,320,814 over December 31, 1971, primarily from funds provided by a \$1,500,000 redemption of the Pacific Press Limited demand debenture and from undistributed earnings. As at December 31, 1972 market value of the Portfolio was \$2,593,145, or 15.2% over cost. This represents a substantial improvement over the 1971 year-end.

California Properties:

These properties are located in the Coachella Valley area of California. It is the intention of the Company to hold the properties for sale pending a suitable market.

Finance:

Dividends of \$1.23 on the "A" shares and \$1.13 on the "B" shares were declared by the directors in 1972, including an increased dividend payable on March 31, 1973. The 1972 dividends reflect an increased payment of 23c per share over 1971.

Personnel:

In July, 1972 our President, G. Maxwell Bell, died after a lengthy illness. Mr. Bell had served as a director of the Company since 1964. At the time of his death The Sun paid editorial tribute to the outstanding ability of Mr. Bell, to the fact that he was a great Canadian and one of Western Canada's outstanding sons. Special reference was made to his capacity for friendship, which won for him warm recognition in the world of journalism, business, the arts and sports. His passing was a great loss to our Company.

The appointment of Mr. John L. Farris, Q.C., to Chief Justice of the B.C. Court of Appeal has necessitated his resignation from the Board of Directors of the Company. Mr. Farris has been a director since December, 1960, and during the intervening period proved to be a valuable and conscientious member of the Board.

Your directors thank the personnel of The Vancouver Sun for their efforts in maintaining the growth of the paper in 1972.

C. B. DELBRIDGE,
Chairman.

Sun Publishing Company Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended December 31, 1972

(with comparative figures for the year 1971)

Revenue:	1972	1971
Income from Pacific Press Limited—		
Equity in net earnings for 1972 of which \$960,000		
(1971—\$1,317,109) was received by way of		
dividends (note 2)	\$ 2,181,026	\$ 1,991,035
Debenture interest		41,250
	2,181,026	2,032,285
Dividend and interest income	744,857	653,415
Gain (loss) on sale of securities (note 3)	115,102	(52,053)
	3,040,985	2,633,647
 Expenses:		
Administrative expenses including directors' fees of		
\$15,000 (1971—\$16,000)	67,163	68,799
Loss on operations of California properties	2,882	2,091
	70,045	70,890
	2,970,940	2,562,757
 Income taxes (note 3)	130,000	160,000
 Net income (note 4)	2,840,940	2,402,757 X
 Retained earnings, beginning of year	21,873,906	20,183,649
	24,714,846	22,586,406
 Dividends:		
Class "A" shares—\$1.23 per share	461,250	375,000
Class "B" shares—\$1.13 per share	423,750	337,500
	885,000	712,500
 Retained earnings, end of year	\$23,829,846	\$21,873,906

(See accompanying notes)

CONSOLIDATED BALANCE SHEET

December 31, 1972

(with comparative figures at December 31, 1971)

ASSETS

CURRENT ASSETS:

	1972	1971
Cash	\$ 30,620	\$ 27,159
Marketable securities, at cost (market value— \$19,619,471; 1971—\$15,125,574)	17,026,326	14,705,512
Accrued investment income receivable	163,821	107,781
Amounts maturing within one year on investments		14,188
Prepaid expenses	474	1,028
Total current assets	<u>17,221,241</u>	<u>14,855,668</u>

INVESTMENTS AND OTHER ASSETS:

In Canada—		
Pacific Press Limited (note 2):		
Demand debenture	4,000,000	5,500,000
800,000 common shares	2,788,398	1,567,372
	<u>6,788,398</u>	<u>7,067,372</u>
In the United States (expressed in Canadian equivalent) (note 1)—		
California properties, including net investment in syndicates of \$152,476, at cost	915,466	901,042
6% secured note less portion included in current assets		2,787
Incorporation expenses	6,750	6,750
	<u>922,216</u>	<u>910,579</u>
	<u>\$24,931,855</u>	<u>\$22,833,619</u>

On behalf of the Board:

J. STUART KEATE, Director

RONALD L. CLIFF, Director

(See accompanying notes)

Sun Publishing Company Limited and Subsidiary Companies

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

	1972	1971
Accounts payable and accrued liabilities	\$ 103,646	\$ 12,758
Dividends payable	238,125	178,125
Income taxes payable	10,238	18,830
	<u>352,009</u>	<u>209,713</u>

SHAREHOLDERS' EQUITY:

Capital stock—		
Authorized:		
2,500,000 redeemable preference shares of \$1 each		
500,000 cumulative participating Class "A" common shares without nominal or par value, entitled to minimum preferential cash dividends of 50 cents per annum		
500,000 Class "B" common shares without nominal or par value		
Issued and outstanding:		
375,000 Class "A" shares	375,000	375,000
375,000 Class "B" shares	375,000	375,000
	<u>750,000</u>	<u>750,000</u>
Retained Earnings	23,829,846	21,873,906
	<u>24,579,846</u>	<u>22,623,906</u>
	<u><u>\$24,931,855</u></u>	<u><u>\$22,833,619</u></u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
Year Ended December 31, 1972

(with comparative figures for the year 1971)

Source of funds:	1972	1971
Operations—		
Net income for the year	\$ 2,840,940	\$ 2,402,757
Credits to income not resulting in a receipt of funds:		
Portion of net earnings in Pacific Press Limited which was not distributed by way of dividends (note 2)	1,221,026	673,926
	1,619,914	1,728,831
Redemption of Pacific Press Limited 5½ % redeemable debentures		1,000,000
Redemption of Pacific Press Limited demand debentures	1,500,000	
	3,119,914	2,728,831
Application of funds:		
Dividends:	885,000	712,500
Other items (net)	11,637	591
	896,637	713,091
Increase in working capital	2,223,277	2,015,740
Working capital, beginning of year	14,645,955	12,630,215
Working capital, end of year	\$16,869,232	\$14,645,955
Represented by:		
Current assets	\$17,221,241	\$14,855,668
Less current liabilities	352,009	209,713
	\$16,869,232	\$14,645,955

(See accompanying notes)

Sun Publishing Company Limited and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1972

1. Principles of Consolidation:

The consolidated financial statements include the financial statements of the company and all of its subsidiaries.

For purposes of inclusion in the financial statements, amounts in foreign currencies have been restated in Canadian dollars. Current assets and current liabilities have been translated at the exchange rates prevailing on December 31, 1972, other assets and liabilities substantially at the rates at the date of the relevant transactions and amounts appearing in the statement of income at average rates.

2. Investment in Pacific Press Limited:

Sun Publishing Company Limited holds 50% of the issued shares of Pacific Press Limited, a company which acquired the newspapers "The Vancouver Sun" and "The Province" on June 14, 1957, the former from Sun Publishing Company Limited.

The company's investment in Pacific Press Limited is recorded by the equity method, whereby the carrying value reflects the original cost of \$800,000 of its holding of common shares and its share in the undistributed earnings of Pacific Press Limited since acquisition. At December 31, 1972 the company's share in the undistributed earnings of Pacific Press Limited amounted to \$1,988,398. Accordingly, the net income includes the

company's full share of its equity in the net income of Pacific Press Limited for the year ended December 31, 1972.

3. Included in the net gain of \$115,102 realized on the sale of securities during the year are net capital gains for tax purposes of approximately \$27,000. One half of this amount is included in the company's taxable income resulting in a tax cost of approximately \$6,300 which is included in the provision for income taxes of \$130,000. Prior to the current year such gains were not subject to taxation.

4. Earnings per share:

Earnings per Class "A" share were \$3.84 in 1972 (\$3.25 in 1971) and earnings per Class "B" share were \$3.74 in 1972 (\$3.15 in 1971). Earnings per share for both classes of common shares are calculated in a manner which recognizes the differential in their rights to dividends.

AUDITORS' REPORT

To the Shareholders of
Sun Publishing Company Limited:

We have examined the consolidated balance sheet of Sun Publishing Company Limited and subsidiary companies as at December 31, 1972 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of the company included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of other auditors who have examined the financial statements of the subsidiary companies.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements for the previous year were examined by other Chartered Accountants.

CLARKSON, GORDON & CO.
Chartered Accountants
Vancouver, Canada,
February 6, 1973.

THE SUN — IN THE COMMUNITY

1972 was a unique year for British Columbia newspapers. For the first time in memory, The Sun was involved in coverage of no less than four important elections—the Canadian general, the Provincial general, the Vancouver municipal, and the U.S. Federal.

All three major levels of government in Canada which concern The Sun and its readers underwent profound changes, which are still being analyzed and questioned. It required an in-depth effort on our part to present the issues and personalities in a balanced fashion.

The upheavals in local and Provincial governments ended long periods of entrenched regimes. The social effects of these changes are still developing. It will be the continuing responsibility of The Sun to report and interpret shifts of emphasis in public policy.

In order to meet the challenges of the 70's, The Sun has assigned additional staff to our Ottawa, Victoria and Vancouver City Hall bureaus.

Also during 1972, The Sun continued its reporting on the environmental problems which are

of growing concern to every community in British Columbia. Close attention and extended coverage of these matters ranks high on our list of community responsibilities.

In other areas, staff coverage of the Olympic Games in 1972 reflected credit on the paper. The Monday Sports Review is now well established as a reader-service package and has attracted substantial acclaim, especially from minor-sports organizations.

The Sun continued to involve itself in 1972 with community-service activities, some familiar and some new:

- A total of 6,620 youngsters went through The Sun's Free Swim classes, bringing to more than 250,000 the number of Vancouver-area residents taught to swim under this program.
- The Sun free Salmon Derby in July attracted 4,500 boats and 10,000 anglers.
- Responding to an urgent appeal from the Red Cross blood bank, The Sun backed a special campaign

which restored quotas and enabled hospitals to keep pace with the vital demand.

- The Sun's Family Christmas "Pops" concerts attracted full houses at the Queen Elizabeth Theatre and were highlighted by the world premiere of Sun staffer Jack Richard's children's story, "Johann's Gift to Christmas." This book, illustrated by Len Norris, has already sold 13,000 copies and seems destined to become a standard Christmas classic.

- The Sun assigned full-time staff to promotion of the annual United Community Services appeal and made a corporate donation of \$25,000.

- The Sun's "Tiny Tim" appeal for handicapped children at the Variety Treatment Center in Surrey realized \$96,000 and made possible a special school which will adjoin The Sun's hydrotherapy pool, due to be opened in June of 1973. As a result of this campaign, The Sun was named first winner of the "Humanitarian of the Year" award by the Chinatown Lions Club.

Sun Publishing Company Limited

